THE INDIAN RUBBER BOARD

REPORT ON

MARKETING ORGANISATION FOR RUBBER

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CHAPTER I.

SUPPLY & DEMAND

A. Area.

The cultivation of rubber in India on plantation scale dates from the beginning of this century only and by 1910 the area was 29,500 acres. From this humble beginning the area under rubber grew gradually and reached about 71,500 acres by 1924. The favourable prices that prevailed during the next few years gave an added incentive to rubber planting and the area increased considerably as shown below :—

Planting of Rubber during 1925—1929.

Year of Planting.	*Estates (acres)*	*Holdings (acres)*	*Total (acres)*
Planted earlier than 1925	54719.73	16758.51	71478.24
„ during 1925	829.61	3987.21	4816.87
„ „ 1926	6334.59	17071.37	23405.96
„ „ 1927	5661.56	7055.12	12716.68
„ „ 1928	2388.91	2437.42	5826.33
„ „ 1929	1051.11	732.61	1783.72
Total	70985.51	49042.24	120027.80

The increase in area during this period has been particularly large in the holdings and gradually smaller producers drifted into the industry in large numbers. Notwithstanding the violent fluctuations in the price of rubber from 1930, the upward trend in the area continued and by the end of 1949 it reached 1,67,816 acres. The distribution of the present acreage according to size of holdings is shown below :—

Distribution of area under rubber according to holdings (1949).

Size of estates/holdings.	*Number.*	*Acreage.*	*Percentage of total area.*
Estates above 100 acres	249	101145	60.27
Holdings between 50 & 100 acres	198	13323	7.94
„ „ 10 & 50 acres	1277	24220	14.43
„ „ 1 & 10 acres	9703	27744	16.53
„ below 1 acre	2416	1384	0.83
Total	13842	16781	100.00

From the above figures it can be seen that the estates which are only 249 in number account for 60.27% of the total area while the holdings, though 13,594 in number, account for 39.73% of the total area. Among the holdings, producers owning about 1 acre and below can be considered as owner tappers utilising their own labour for rubber production while most of the others have to run the holdings on hired labour.

The geographical distribution of rubber cultivation during the year 1949 is detailed below :—

Geographical distribution of rubber in India

State.	*No. of estates and holdings.*	*Area (acres).*	*Percentage of total.*
Travancore	13427	122251	72.85
Cochin	192	13749	8.19
Madras	208	27777	16.55
Coorg	8	3196	1.90
Andamans	1	407	0.25
Mysore	6	386	0.23
Assam	1	50	0.03
Total	13843	167816	100.00

As evidenced by the above figures, Travancore accounts for a very large area of 1,22,251 acres forming 72.85% of the total acreage under rubber. Considering the acreage and the labour employed (up to 50,000 people) in the industry, rubber can be said to be very important in the rural economy of the State. The remaining area under rubber is distributed in Cochin (8.19%), Madras (16.55%), Mysore, Coorg, Assam and Andamans.

B. **Production.**

The annual production figures for rubber in India as far as available are given below :—

Production of Rubber in India

Year	*Production (tons).*	*Average yield per acre (lbs.)*
1940	16671	302
1941	16295	294
1942	16579	301
1943	16669	306
1944	17714	315
1945	16077	294
1946	15172	280
1947	16449	285
1948	15422	291
1949	15587	282
Average	16264	

It may be taken that the average annual production is in the range of 16,000 tons. From a perusal of the figures it is, however, evident that there is a downward trend in production during the last 5 years in spite of the fact that the area under rubber has been gradually increasing. The fall in production is said to be due to the following causes :—

(a) Fall in yield of old plantation—It is said that many of the plantations are old and that their average yields have gone down considerably. Some of these estates have, however, replanted to an extent but the benefits of the same are not so far strikingly manifest. Further, it is reported that in many holdings the selection of proper varieties of planting material has not been carefully done.

(b) Suspension of tapping—Many holdings, particularly the smaller ones, have temporarily suspended tapping. During the course of enquiry it was found that such cases are common and the only reason put forward is that tapping is very uneconomic with the prevailing high wages and the poor prices obtaining for rubber. The ... marketing conditions ... ll producer appear to be low in most of the prod... on rubber cultivation and utilise the sp... continue like this, many of these small... tapioca. In fact this trend is in evidence even now ... ace for growing more remunerat... down their rubber trees and planted tapioca. It may, how- ... and some of the small h... some of the gardens abandoned or cut down are reported to have ever ... unremunerative due to excessive or faulty tapping. In spite of this the ... ment... all producers, of a strong tendency to replace rubber cannot be disputed and lead to dis... rous results unless conditions rapidly change for the better. The production of estates and holdings are given hereunder separately for the last two years :—

Production of rubber on estates & holdings

	1948	*1949*	*Average*	*Percentage*
Estates	10951	11448	11200	72·30
Holdings	4471	4139	4305	27·70
Total	15422	15587	15505	100·00

Though the holdings account for 39·73% of the total area under rubber, their production is proportionately much less and comes to only 27·70% due to the lower yields obtained. The production of holdings has decreased during 1949 and this is reported to be mainly due to the helpless state of the small producer in realising fair prices for his produce. Though one year's figures (based on estimates) cannot be taken as evidence to support this, the small producers affirm that their production is actually going down due to the aforesaid cause. In some holdings tapping is undertaken only when the labourers are prepared to share the rubber produced in lieu of wages.

Periodicity of production—The monthly production of rubber in India for the last nine years is tabulated below :—

Monthly production of rubber 1941-49 (Tons).

Month	*1941*	*1942*	*1943*	*1944*	*1945*	*1946*	*1947*	*1948*	*1949*	*Aver-age*	*Percent-age of total*
Jany.	1529	1617	1650	1514	1572	1635	1631	1425	1326	1544	9·53
Feby.	314	269	340	310	341	267	347	270	257	302	1·87
March	956	990	900	1148	862	902	859	956	758	930	5·74
April	1578	1592	1520	1629	1527	1573	1427	1498	1563	1545	9·53
May	1502	1772	1160	1615	1478	1509	1654	1646	1240	1508	9·31
June	785	773	655	1046	862	741	929	694	854	815	5·03
July	876	486	705	916	865	926	1004	844	904	836	5·13
Aug.	1136	1467	1920	1713	1212	1083	881	1068	1245	1303	8·04
Sept.	1632	2030	1780	1714	1784	1783	1446	1646	1410	1687	10·41
Octr.	1961	1775	1615	1798	1805	1755	2087	1796	1944	1837	11·34
Novr.	1920	1964	2080	1794	1796	1664	2108	1742	2011	1898	11·71
Decr.	2116	1844	2304	1977	1973	1879	2076	1837	2035	2003	12·36
Total	16295	16579	16629	17174	16077	15672	16449	15422	15587	16209	100·00

Unlike other agricultural or plantation crops whose production is seasonal, rubber is produced almost throughout the year though not equally distributed in all the months. Production is lowest in February with 1·87% of total due to the wintering of trees during this month. Tapping is recommenced in March but the latex flow is restricted during that month, resulting in only 5·74% of total production. Production, however, touches normal in April and May but drops again during the monsoon months of June, July and August during which months only about 18% is obtained. Latex flow increases again in September and reaches the peak in December. The five months September to January are the months of heavy production and account for 55% of total production. In spite of these fluctuations in monthly production, rubber can be said to be one of the few agricultural commodities where production can be made to suit a manufacturing industry admirably.

Groupwise production of rubber—Figures for the groupwise production of rubber are available with the Indian Rubber Board for the last two years. Most of the bigger estates which account for 60% of production furnish figures for groupwise production but a few of the estates and the majority of holdings do not furnish any returns. For the estates and holdings which do send not any returns the Indian Rubber Board estimates the groupwise production on the basis of information available in the office. The total groupwise production as arrived at by compiling the returns of estates and the estimated production of holdings are given below :—

Groupwise production of rubber (tons)

Groups	*1948*	*1949*	*Average*	*Percentage*
Group 1	6516	6445	6480	41·8
Group 2	2543	2613	2578	16·6
Group 3	1506	1333	1420	9·2
Group 4	978	1396	1187	7·7
Group 5	557	694	625	4·0
Group 6	450	496	473	3·0
Group 7	52	40	46	0·3
Scrap Grades	1459	1381	1420	9·2
Latex (D. R. C.)	1000	739	870	5·6
Sole Crepe	361	450	406	2·6
Total	15422	15587	15505	100·3

C. Imports and Exports.

The rubber industry has developed considerably during the last 15 years and as such the conditions of demand and supply have also altered. A true picture of the industry is depicted by the following extract from the Short Note issued by the Indian Rubber Board. "At the commencement of the restriction period (June 1934) there was practically no consumption of indigenous rubber in India. This necessitated the participation of India in the International Rubber Agreement which primarily aimed at restriction of output by regulating the export quota for each producing country. At the end of the first restriction period in 1938, the internal consumption reached the figure of 5600 tons and it went on increasing regularly till it reached 14,292 tons in 1941. From 1942 to the end of the war there was great demand for more and more production of rubber in India in view of the increased requirements of the Allies for their programme of war production and the nonavailability of supplies from the chief producing countries in Malaya, Java and Burma. India has by now developed within her borders a rubber manufacturing industry whose requirements of raw rubber exceed indigenous production."

The industry has changed out of recognition during the last 15 years and I feel that no useful purpose will be served by considering the imports and exports of raw rubber over this long period. The data for the last two years, however, reflects the present state of the industry and the figures for imports as collected by the Board are given below :—

Monthly Imports of Rubber (in tons)

Months	*1948*	*1949*
January	...	501 (38)
February	...	354 (154)
March	...	954 (517)
April	...	691 (10)
May	...	9
June	315	71
July	705	...
August	444	...
September	941	3
October	649	2
November	595 (1)	66
December	684 (12)	116
Total	4333 (13)	2767 (719)

Figures within brackets indicate imports under Open General Licence which are also included in the total imports for the year. During 1949 and 1950 small quantities of Revertex were imported.

The groupwise imports of rubber are given below :—

Groupwise imports of rubber (Tons)

	1948	*1949*
Group 1	2556	594
" 2	1015	1006
" 3	358	56
" 4	391	70
" 5	...	312
" 6	...	...
" 7	...	...
Revertex	...	10
Not known	13	719
Total	4333	2767

It will be seen that a major portion of the imports is Group 1 and Group 2 only. The groupwise production and imports will be considered along with the groupwise consumption at a later stage.

Exports.—Taking the last two years there have been no exports of raw rubber from India except for a small consignment of 6 tons to the Chinese Embassy during 1948. Unless extraordinary circumstances warrant it can be safely presumed that there will be normally no exports of raw rubber from India. Extraordinary circumstances, however, prevailed during the closing months of 1949 and the beginning of 1950 which necessitated issue of permits for exporting rubber up to 1,000 tons in view of the large accumulation of stocks with producers and dealers. This will be discussed in detail later.

D. **Consumption.**

The consumption of rubber in India has varied considerably, as already outlined, during the last 15 years. From about 5600 tons in 1938 it reached 15,233 tons during 1945 and over

19,000 tons in 1948. As the manufacturing industry is likely to expand further, only the consumption figures for the last two years are given below :—

Monthly consumption of raw rubber in India (in tons)

	1948	*1949*	*Average*	*Percentage of total*	*1950*
January	1547	1548	1568	8·06	1162
February	1494	1414	1454	7·47	1295
March	1587	1284	1435	7·38	1320
April	1668	1981	1825	9·38	1435
May	1432	1847	1640	8·43	
June	1875	1770	1822	9·36	
July	1801	1785	1793	9·22	
August	1902	1819	1860	9·56	
September	1753	1638	1696	8·72	
October	1109	1068	1089	5·58	
November	1700	1697	1698	8·72	
December	1811	1341	1576	8·10	
Total	19719	19192	19456	100·00	

From the above figures the consumption of rubber by manufacturers is fairly well distributed during all the months except in October when it falls to 5·58% due mostly to the Puja Holidays in Bengal. The consumption has, however, fallen appreciably in December 1949, and has continued to remain below normal during the next three months. Various reasons like the restrictions on import of cars consequent on devaluation, fall in tyre sales due to petrol rationing, communal disturbances in Bengal, etc. are reported to be the contributory causes. The consumption of rubber has, however, risen steadily and reached 1435 tons in April 1950 and it is hoped that normally will be restored soon.

Rubber is consumed by about 250 manufacturers in this country. Of these, the three major consumers are :—

M/s. Dunlop Rubber Co. (India) Ltd.,

M/s. Firestone Tyre & Rubber Co. of India, Ltd., and

M/s. Bata Shoe Co. Ltd.

Their consumption during the last two years is given below :—

Consumption of major manufacturers (tons)

	1948	*1949*	*Average*
Dunlops	9084·5	8998·1	9041·3
Firestone	4255·9	3909·9	4082·9
Batas	1589·3	1913·1	1751·2
Total :-	14929·7	14821·1	14875·4

Out of an average annual total consumption of 19456 tons, these three firms together account for 14875·4 tons or about 76·5% while all the rest of the manufacturers (including latex manufacturers) account for the remaining 23·5%.

Groupwise consumption of manufacturers (tons)

	1948	*1949*	*Average*	*Percentage*
Group 1	7261	5305	6283	32·29
Group 2	3509	5476	4492	23·08
Group 3	1709	2056	1882	9·68
Group 4	795	966	885	4·55
Group 5	1617	1703	1660	8·54
Group 6	1715	1749	1732	8·90
Group 7	216	101	158	0·82
Scrap Grades	159	212	185	0·95
Sole Crepe	9	56	32	0·16
Latex (D. R. C.)	674	453	563	2·89
Estimate	2055	1115	1585	8·14
Total :-	19719	19192	19456	100·00

The groupwise production and import figures and their totals for Groups 1 and 2 for the years 1948 and 1949 are shown below with the consumption figures as furnished by manufacturers.

Groupwise production, imports and consumption (tons)

	1948				1949			
Group	*Production.*	*Imports*	*Total*	*Consumption.*	*Production.*	*Imports*	*Total*	*Consumption.*
Group 1	6516	2526	9032	7261	6445	594	7039	5305
Group 2	2543	1015	3558	3509	2613	1006	3619	5476
Total:-	9059	3541	12590	10770	9058	1600	10658	10781

Though these figures are not strictly comparable the extent and nature of variations seen in these figures give enough indication that the producers and manufacturers do not fully agree on the point of grading.

CHAPTER II

MARKETING DIFFICULTIES

A. Existing Marketing System.

The existing marketing system can be briefly summarised as follows :—

1. **Estates selling through Managing Agency Firms.** Many of the estates are under the management of agency firms who market their own rubber. Generally these agency firms handle in all about 10,000 tons or nearly two-thirds of the total production. All these agency firms have godowns in Cochin. The rubber is graded and packed on the estates and sent direct to the godowns in Cochin where they await disposal. The agency firms arrange for the disposal of the rubber by direct sale to the manufacturers or to Batas (who is both a manufacturer and the most important dealer). The agency firms mostly produce top grade rubber and they have plenty of resources and up-to-date godown accommodation to withstand the vagaries of the market. Some of these agency firms also act as selling agents for a few estates while there are a few other agencies, e. g., the Associated Agencies, Kottayam, which act only as selling agents.

2. **Estates selling direct to manufacturers or dealers.** A few of the big estates and many of the smaller estates have no selling agents. They do their own marketing and sell to manufacturers direct or to other important dealers in various market centres. Even in such cases rubber is packed and delivered at the premises of the manufacturer or dealer who usually checks about 10 per cent of the bales to verify the quality. Some of the holdings also sell rubber through dealers in important markets. These dealers ultimately sell to the manufacturers.

3. **Sale through dealers and petty merchants in interior markets.**

This is a system commonly adopted by the smaller holdings for the sale of their rubber. As soon as they accumulate a fair quantity of rubber, say a month's production, they take it to the nearest market like Kanjirapally, Punalur, Palai, etc. and offer the rubber for sale to the dealer. The dealer examines the rubber and pays the producer on a flat rate based on the weight only. In some cases, rubber is sold to petty merchants who visit the holdings and collect rubber from door to door. It is only the very small grower who generally sells his rubber to such merchants. These petty merchants use only a spring balance for weighing and pay about Rs. 2 less for 100 lbs. as compared to the dealer in the nearest market centre. It is only these petty merchants and dealers who advance loans to the small holders, free of interest on the condition that they should market their rubber only through them. Such crop advances are taken by holdings even up to 100 acres as rubber estates require a lot of capital outlay. These petty merchants and dealers collect rubber from various holdings and when a marketable quantity is gathered, they offer it for sale to the nearest depot of Batas or take it to bigger dealers in important markets like Kottayam, Trivandrum, Trichur, etc. and deliver in sheet wrapping. The dealer makes an initial advance on the receipt of these bundles. The bundles are opened at leisure, graded and the final bill for settlement is made on the basis of grades.

At present there is a system of price control for all the grades produced in the country. The controlled prices are fixed F. O. B. Cochin and the prices at which rubber is bought and sold in various places should bear a reasonable relation to the F. O. B. Cochin prices. The prices are fixed by the Government of India after consultation with the Rubber Price Advisory Committee of the Indian Rubber Board. All dealers are licensed by the Indian Rubber Board, which organisation also issues half-yearly licences to manufacturers for the purchase of their requirements. Imports and exports are controlled by the Central Government in consultation with the Rubber Board. The details of the working of these various items will be discussed later.

B. Difficulties in Marketing.

1. *Difficulties in disposal of stocks.* The fundamental difficulty facing the rubber growing industry appears to be the problem of regular disposal of rubber so that large scale accumulation of stocks does not take place. The situation was aptly described by the Chairman of the Indian Rubber Board at the last meeting held on the 8th March, 1950. "Though the Indian production of rubber was short of the total internal demand until last year, accumulation of stocks has now become a recurring mortification." The stocks of rubber with estates and dealers from 1943 are detailed below :—

Stocks of rubber with estates and dealers (tons)

	1943	*1944*	*1945*	*1946*	*1947*	*1948*	*1949*	*1950*
January	5179	4461	2637	1192	5161	4254	4952	5663
February	3725	3883	1764	1006	4379	3239	4206	5014
March	2994	3822	884	1578	3703	3153	4688	4909
April	3114	3806	2116	2822	3559	2922	5522	5128
May	3055	3858	2526	3488	3612	3213	4860	
June	2293	2765	1156	3011	3186	2803	5225	
July	2003	2620	1669	2985	2848	2686	4277	
August	2850	3312	2168	2708	3206	2926	3673	
September	3371	3340	2762	3672	4056	3377	3635	
October	3256	3359	2852	...	4315	4157	4049	
November	4002	3348	2892	...	5425	4414	4725	
December	4254	2363	3288	5117	6798	4831	5220	

It will be seen from the above figures that the existence of very high stocks is a regular feature in December—January, and is as it should be at the end of the period of high production. This period of high production is followed by two months of very low production (February—March) and the stocks are generally left at normal level in the Month of April as seen during the years 1943 to 1948. The position has been, however, very different during the corresponding period in 1949 and 1950. The stocks rose as usual during December—January but did not show the usual tendency to come down. An examination of the stock position of manufacturers during the corresponding periods do not reveal any significant differences from year to year but their purchases have been modified by different causes in these two years. Apart from the normal imports permitted into this country, large quantities of rubber found their way into India under the Open General Licence during the latter part of 1948 and early in 1949.

Imports under O. G. L. (tons)

November,	1948	...	1
December,	,,	...	12
January,	1949	...	38
February,	,,	...	154
March,	,,	...	517
April,	,,	...	10
		Total	732

Though the figures available with the Indian Rubber Board show that only 732 tons were imported under O. G. L., knowledgeable circles estimate the figure at about 2,000 tons. If this is conceded, the chronic disturbance in the balance of stocks during the whole of 1949 is almost accounted for. In the wake of this disturbance followed the reduced offtake of Messrs. Dunlops, the biggest consumer, during the last two months of 1949 and early 1950, as shown below :—

Offtake of Messrs. Dunlops from July 1949 (Kottayam)

Month.		*Purchases in tons.*	*Average.*
July,	1949	689·0	
August,	,,	702·7	666·1
September,	,,	598·8	
October,	,,	673·8	
November,	1949	174·9	173·0
December,	,,	171·1	
January,	1950	327·2	
February,	,,	347·1	359·8
March,	,,	347·9	
April,	,,	416·9	

It is seen that the purchases of Messrs. Dunlops had actually fallen to 25% of normal during November—December 1949 and 50% of normal in the succeeding three months. We cannot blame Messrs. Dunlops for not purchasing up to schedule when their production had reached low levels due to circumstances beyond their control, but such uneven purchases upset the market to a considerable extent. It is not also possible to foresee the recurrence of such conditions in future, but the far reaching benefits of an organisation which could receive or purchase rubber at such critical times cannot be over-emphasised.

The figures given above do not, however, give an adequate picture of the critical position in which the rubber grower is placed. The members of various producers' organisations have stressed from time to time about the appalling accumulation of stocks and the difficulties in which they are placed. While difficulty is felt allround the degree of hardship varies with the type of producer. The big estates which sell through the agency firms have enough resources, godown accommodation and bargaining power to stand the strain and they do not, therefore, under-sell. The other bigger estates who sell their own rubber are able to stand the strain to some extent but as the period of accumulation of stocks coincides with the period when they have to pay off their labour at the end of tapping season, even the soundest of them is sometimes hard pressed to resort to under-selling. In fact the position can become desperate as can be judged from the suggestion made by the Special Committee of the Board which recommended that Government should be requested to give a directive to any bank or banks of consequence to advance at least up to 75% of the scheduled prices fixed by the Government.

The smaller producer is of course much more hard hit. His financial resources are so slender that unless he disposes his rubber regularly he will not be in a position to work the holding. In fact many of these people (even up to 100 acres) are under the influence of petty merchants and dealers who advance crop loans free of interest with the express understanding that all the rubber produced should be sold to them, at a price which is generally decided in his own (buyer's) favour. I have come across isolated instances where even moderately sized estates had necessarily to resort to distress sales to meet the pressing needs of the estate. This is in fact due to the present situation where these producers do not find a sale for their rubber at the correct price and with fair grading. Very often even the opportunity to sell it at reduced prices is denied to them when transactions are at a standstill due to major consumers keeping away from the market. Unless this tendency is rooted out, it is bound to have very bad repercussions particularly on the small producers.

Difficulty in getting controlled prices. Though controlled prices have been in existence for rubber it is an admitted fact that the majority of the producers are not in a position to benefit from the same during the last two years. Instances of underselling and the existence of conditions which make it very difficult for producers and dealers to sell at controlled rates have been brought to the notice of the Board at its meetings. With a view to find out the extent to which underselling was prevalent, a circular was sent out to estates, dealers and manufacturers to furnish the prices at which sales or purchases were made by them. The response has, however, been very poor and the replies received in most cases have been vague and unhelpful. It can be generally said that the agency houses and the big estates have been selling always in relation to controlled prices while the smaller producers, sub-dealers and dealers have rarely been able to do so. It can also be presumed that agency houses and some of the bigger and well established estates will not undersell due to their very strong and invulnerable position. The position is exactly the reverse with the several holdings and particularly the smaller ones. During the course of my tours I have had occasion to meet rubber growers owning from 100 acres to less than one acre and in every case I have been told that they have always been obliged to sell much below the controlled prices. The prevailing prices in most of the interior markets like Kanjirapally, Punalur, Palai, etc. are reported to vary considerably from about Rs. 72/- to Rs. 76/- for R. M. A. 3 sheet for delivery at the dealer's place while petty merchants visiting the holdings pay much less. An extract of prices said to be paid at Moovattupuzha by a dealer in 1949 are given below for reference :—

R. M. A. 2	...	Rs. 77/- to Rs. 81/8/0.
R. M. A. 3	...	Rs. 73/- to Rs. 80/0/0.
R. M. A. 4	...	Rs. 63/- to Rs. 76/0/0.
R. M. A. 5	...	Rs. 60/- to Rs. 73/0/0.
Milling sheet	...	Rs. 55/- to Rs. 70/0/0.

The prices paid by dealers in Kottayam also bear no relationship to the controlled prices. Monthly prices paid by three important dealers in Kottayam are given in Appendix I. From these figures it is seen that the prices paid vary from Rs. 4/8/0 to Rs. 9/0/0 below the controlled prices for sheet rubber and Rs. 9/8/0 to Rs. 16/8/0 below controlled prices for crepe grades. Daily market prices are collected by the Indian Rubber Board from the beginning of December 1949 in accordance with the decision taken at the Board meeting held in November 1949. These reports also indicate that the market rate has varied considerably during the last five months and bears no relation to the controlled price. They also show that the differences between the controlled rates and market rates for different grades vary considerably, depending on the demand for individual grades. The extreme flexibility of these rates, coupled with the reluctance on the part of various interests in trade to furnish detailed prices for the purchases made by them, affords sufficient support to the general complaint that the controlled prices are not in fact fully in operation. Where the market prices should be actually guided by the controlled prices in force the wide fluctuations in the market prices quoted above show that the market is in fact guided by the conditions of demand and supply created by the various interests in the trade. Under such conditions there appears to be no security for the small producers and other estate owners who have to necessarily go through the various intermediaries in the trade. The small producers rightly affirm that the controlled price is of no consequence to them as their fortunes are never linked with the benefits accruing from this statutory and reasonably remunerative price. Unless this defect is remedied the controlled price loses all interest except to those like the agency firms and bigger plantations who are in a position to benefit by the same.

Absence of fair grading. Coupled with the realisation of the controlled price is the problem of proper grading. Due to the existence of several grades in rubber, the operation of the price control has become as elastic as the commodity itself. The general complaint from growers and dealers is that they are often forced to sell a higher grade of rubber as lower grade due to the extreme difficulty experienced in disposing their produce. It is said that dealers and bigger producers have taken their rubber from distant places and have been told that there is no demand for that particular grade of rubber. Faced with the problem of taking back the rubber with no prospects of a better market at a later date, the sellers have often been reported to be obliged to sell their higher grades as lower grades, as engineered by the buyers. It is also said that the grading of the buyer is very strict and often disadvantageous to the seller. While strict grading can be tolerated in trade to the extent it is fair, there is no justification in making the producer or dealer sell his higher grades as lower grades. It can, however, be said that all this is not one sided as the buyers are reported to face similar difficulties during the months of scarcity (July/August) and whenever there are rumours of revision of prices by the Board. These artificial manipulations of prices rendered facile by the existence of several grades is a very unhealthy trend in the industry.

For finding sale for certain grades. Another difficulty experienced in rubber marketing is the accumulation of certain grades of rubber reported to be due to the buying policies adopted by the manufacturers. Accumulation of top grades of sheet rubber is particularly disadvantageous to the producers or dealers as they tend to deteriorate in quality, particularly under adverse weather conditions and what is Grade 1 may have to be sold as lower grade later on. During the last one year producers and dealers have steadily maintained that the offtake of higher grades, particularly R. M. A. IX and 1, has been rather poor. This is difficult to understand as the big manufacturers have maintained that these grades are essential for their production and have in fact been given Import permits for these grades (and imported actually 2556 tons in 1948) on the ground of insufficient stocks. The position has, however, changed considerably ever since substantial reductions in prices were made for the lower grades at the instance of manufacturers so as to act as an inducement to smaller manufacturers to buy lower grades. It is reported that this has, however, resulted in a rush for the purchase of lower grades even by those who normally consumed large quantities of top grade rubber resulting in accumulation of higher grades. Figures of consumption of Group 1 rubber by Messrs. Dunlops and Firestones, the two tyre manufacturing concerns in India, are given below —

Consumption of Group 1 rubber, 1947-49, and demand for Group 1 rubber during the first half of 1950

	DUNLOPS		FIRESTONES	
	Quantity of Group 1 rubber consumed (tons)	*Proportion to total*	*Quantity of Group 1 rubber consumed (tons)*	*Proportion to total*
1947	3893	52·12	1823	47·60
1948	5194	57·18	1463	34·38
1949	3376	37·52	853	21·82
Demand for Group 1 during first half of 1950	1005	39·04	408	15·06

Though it is beyond my competence to comment on these figures, to a casual observer it appears as though the manufacturers have been racing with each other for obtaining lower grades at an advantageous price. The monthly purchases of one of the big manufacturers from July 1949 are given on the next page along with half yearly purchase licences issued for them.

Purchase licences issued and monthly purchases

During 1949—'50 (tons).

GRADE	Licence issued for.	Total purchases made.	Second half of 1949 — Monthly Purchases: July	Aug.	Sept.	Oct.	Nov.	Dec.	First half of 1950 — Monthly Purchases: Jan.	Feb.	Mar.	April	Total for 4 months	Licences issued for half year.
RMA 1	2250	1019·4	129·1	221·6	257·8	295·8	70·1	45·0	…	82·3	226·7	273·1	582·0	1386
RMA 2	423	647·8	193·6	171·6	121·8	142·7	18·1	…	118·5	73·5	20·0	20·7	232·7	641 (380)
RMA 3	500	396·7	110·3	111·5	80·4	91·2	3·3	…	78·3	…	59·0	65·0	202·3	308
RMA 4	204	246·7	97·0	44·2	23·0	21·2	16·1	45·2	83·2	40·6	…	2·2	126·0	156 (30)
RMA 5	240	229·0	64·6	54·8	32·7	36·8	20·2	19·9	26·3	46·0	2·0	30·7	105·0	198 (50)
Group 4	10	3·0	…	…	…	…	3·0	…	…	3·0	…	…	3·0	6
Group 5	272	286·8	49·0	68·4	59·1	47·1	26·7	36·5	3·1	80·7	15·3	10·2	109·3	208·6 (94·6)
Group 6	272	164·1	45·5	22·7	15·0	39·0	17·4	24·5	17·8	21·1	24·9	15·0	78·0	230·6 (9·6)
Group 7	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Latex (DRC)	7	7·0	…	…	…	…	…	…	…	…	…	…	…	12
Curly Scrap No. 1	…	…	…	4·0	…	…	…	…	…	…	…	…	…	…
Total	4178	3000·5	689·1	698·8	589·8	673·8	174·9	171·1	327·2	347·1	347·9	416·9	1439·1	3146·2 (564·2)

The figures within brackets indicate supplementary licences issued and are accounted for in the total.

It will be seen from the statement that the offtake of the manufacturer is far behind schedule. While we cannot blame a manufacturer for not buying up to schedule due to unforeseen circumstances the continued low offtake of Group 1 is not understandable. Admitting that the reduced offtake of Group 1 in the latter half of 1949 can be partially attributed to the up-grading that was done in the issue of purchase licences by the Board there appears to be no justification for the very meagre purchases of this group from December 1949 to February 1950, which also coincides with the period of heavy stocks. In fact no purchase of Group 1 was at all made in January 1950, and such a policy is certain to have its repercussions on the producers and dealers. This has in fact been reported to have forced the needy sellers to degrade and sell to get over their commitments. The profits of the rubber growers, particularly in Travancore, are limited and the grower in his anxiety to benefit utmost from the controlled price has felt and often expressed that the manufacturers could adjust their supplies to the grades produced in the country. The manufacturers alone know what best is suited for their industry, but in the national interest and the interest of the industry as a whole it is desired that they could so arrange their supplies as to suit the production industry of the country, particularly at a time when mandatory consumption of synthetic rubber is the order of the day in U. S. A. For the purpose of issuing purchase licences all manufacturers of the same type, (e. g. all tyre manufacturers) can be treated on a par with each other and allotted identical percentages of raw rubber in different groups. It would be extremely helpful if the manufacfurers accommodated themselves within this framework and aided the industry as a whole. As the idea is to see that all the grades produced in this country are absorbed here itself, it should also be the endeavour of the Board to prohibit the further expansion of production of Group 4 rubber which is not in great demand within the country.

Lack of any certainty in the market. The lack of any certainty in the market can be said to be the direct consequence of the above mentioned difficulties. The various agencies in the trade are unable to find their level and this naturally leads to exploitation of the one by the other. The small producer who has to depend on the lowest link in the chain is the worst sufferer.

CHAPTER III
NEED FOR A MARKETING ORGANISATION.

The agitation for a marketing organisation for rubber can be said to have started right from the time of the abolition of the Rubber Production Board and reference was made to the difficulties experienced by the small producers as well as the large estates in disposing their stocks even at the Rubber Conference held at Coimbatore in June, 1946. Since then the cry for some sort of a marketing organisation has been repeatedly heard though off and on muffled by the existence of favourable conditions. Clause 8 (1) of the Rubber (Production and Marketing) Act, 1947, lays down "that it shall be the duty of the Board to promote by such measures as it thinks fit the development of the rubber industry so far as regards the production and marketing of rubber". In view of the persistent demand for a marketing organisation the necessity for it has to be first examined.

The most significant aspect of rubber marketing in India is the institution of price control. It is in the operation of this price control that a lot of difficulties have crept in and a marketing organisation has been suggested only to overcome these difficulties. As such, the necessity for price control has to be decided before consideration of marketing can be taken up. It is needless here to refer to the history of price control from 1942. The present controlled prices for rubber are based on the findings of the Cost Accounts Officer (in 1943) who was deputed by the Government of India for investigating into the cost of production of rubber, so as to enable them to fix the price for rubber as a reasonable long term policy. These prices are based on the detailed cost of production of rubber plus a reasonable margin of profit without any reference to the prevailing world prices. India has been having price control since May 1942 except for a break of three months in 1946—47. The nearest market to India is Ceylon and the prices there which generally reflect the world prices are given below for the last two years :—

Monthly F. O. B. prices of R. M. A. 1 in Ceylon.

Month	*1948*	*1949*	*1950*
January	63·25	57·69	79·13
February	63·25	57·13	83·25
March	62·50	57·88	85·65
April	66·00	57·10	102·06
May	68·75	55·75	122·31
June	70·75	51·25	
July	74·25	52·50	
August	73·00	53·81	
September	70·00	60·94	
October	68·75	70·05	
November	61·50	72·44	
December	56·25	76·35	
Average :-	66·52	60·24	

(Indian controlled price for R. M. A. 1.)

From	*To*	*Max.*	*Minimum*
1-1-48	7-6-48	73·50	72·50
8-6-48	1-11-48	79·50	78·50
1-11-47 up to date		90·50	89·50

The Indian controlled prices given side by side reveal that the Ceylon prices have always kept well below the Indian controlled price during the last two and half years, the difference at times being even as high as Rs. 38/- per 100 lbs. The present controlled price in India is admitted to be fair and economic price giving a reasonable margin of profit to the grower. Even with this price the Indian producers, particularly the small holders, have often represented that rubber cultivation is not remunerative. In the absence of control, their plight would have been much worse as the F. O. B. Ceylon price had touched even 51 cents, which is much below the cost of production of rubber in India as decided by the Cost Accounts Officer. It is only during the last two months that the world prices of rubber have shown a tendency to go above the Indian price. This rise in values is reported to be due to stock piling by America and heavy purchases in Malaya by Russia coupled with a hold up of exports from Indonesia which have combined to accentuate the shortage of near supplies. Knowledgeable circles expect this rise in price to be a temporary phase and likely to continue only for another two or three months. When conditions return to normal the world prices of natural rubber will be controlled to some extent by the price of synthetic rubber and as such likely to be maintained at or slightly below 18.5 dollar cents, which is the price of synthetic rubber. As such it is absolutely essential that in the interests of the Indian producer the control on prices should continue and this has been conceded as a reasonable long term policy even by the Government of India. The manufacturers have maintained that whatever might be the handicaps of the Indian producer, "it was essential that the internal price should be treated with the world price and Ceylon price, as any attempt to fix it without reference to Ceylon and world prices would not work satisfactorily." In a closed economy where production is apparently less than consumption and imports and exports are controlled, it is very difficult to concede that price control will not work satisfactorily. In fact it should be the easiest thing, if cooperation is forthcoming from all sides.

From the above analysis, it is imperative that price control should continue if Indian rubber industry has to survive. The actual working of any price control has, however, shown that unless there is an organisation to enforce the same, such control is more often honoured in the breach than in the observance. It has been noted that in some commodities (e. g. drugs) the prices actually charged depend on the conditions of demand and supply than on the controlled prices. Such a phenomenon is also in evidence in the marketing of rubber as discussed in the previous chapter. The difficulties in obtaining controlled prices, selling according to proper grading and disposal of certain grades, can all be said to be the consequences of price control in rubber. The differences between the actual market rates, for various grades and their actual controlled prices afford ample evidence for the way in which prices get adjusted to supply and demand in spite of the existence of statutory rates. Unless there is some place where rubber could be sold at any time at the controlled price and at fair grading, the seller in his desperation resorts to other means of disposal. It is to remedy this that a marketing organisation is absolutely essential. Experience of the working of the Government Purchase Depot at Cochin during 1942—46 has shown that during that period the stocks with producers and dealers have always been maintained at reasonable levels and that the prices have tended to adjust themselves in every market, in relation to the controlled prices.

Any analysis of the problem of marketing would be incomplete unless it is considered from the point of view of rubber as a very important strategic commodity. In all industrially advanced countries rubber has become one of the most essential materials during both peace and war. India prodces only about 1% of world natural rubber but its importance to the country cannot be judged on this alone. In 1942, when the largest rubber producing countries in the world like Malaya, Java, Burma etc. fell to Japanese, the Government found it necessary to canalise all the rubber resources of India to help in the prosecution of the war. Efforts were also made to find alternative sources of rubber irrespective of cost and huge sums were spent to produce small quantities of rubber from Cryptostegia Grandiflora. The importance of rubber to a nation can also be realised from the progress of the American synthetic rubber industry and the attitude of the United States Government towards the same.

In 1939 the United States was dependent practically for all its supply of raw rubber on far-off areas in the East. These areas were lost to the Japanese early in the war. Faced with an acute shortage of rubber, the country which had only 10,000 tons synthetic capacity in 1940, very soon established a plant production capacity of about a million tons at a cost of 700 million dollars. Without going into the technical aspect or the details of the post-war history of synthetic rubber, it may be stated that the production and utilisation of synthetic rubber in the United States is now governed by the Rubber Act, 1948, which expires in 1950 and is awaiting renewal. The Act provides that capacity for the production of synthetic rubber should be maintained in the United States at all times and requires that minimum quantities shall be produced and consumed each year. Authority also exists for continued production of synthetic, for its mandatory consumption in certain goods, for stand-by maintenance, if plants are not now in operation and for continued Government research in synthetic rubber. For all practical purposes the synthetic rubber industry in the United States is now a Government sponsored and protected industry where its consumption for certain grades like passenger cars is mandatory. Proposals are now under way to replace the Rubber Act of 1948 by new legislation and also to turn over the synthetic rubber facilities to private industry. It is also contemplated at balancing the economy of the industry and maintaining the national security of the country by providing production and consumption levels at 2,00,000 tons per annum. The present position of the synthetic rubber industry is such that apart from preventing serious world shortages it acts also as a buffer against any price increase of natural rubber.

It is thus evident that the United States Government is sponsoring the synthetic industry and protecting it at a very heavy cost, only in the interests of national security which is placed above everything else. India is fortunate in having a natural rubber industry, though small, within her borders. Her present demand is much more than the supply but production is slowly declining. Unless the marketing conditions are improved and the growers, particularly the smaller ones, realise better prices, they cannot look up to the future with optimism. It is, therefore, felt that the protection of this strategic and indigenous industry is the paramount duty of the Government.

CHAPTER IV

MARKETING ORGANISATION FOR RUBBER

The demand for a marketing organisation has not been universal. The U. P. A. S. I. and the A. P. T. which represent mostly the agency firms and big plantations have expressed at Board meetings that they are against the formation of a marketing organisation for the entire rubber crop. While maintaining this view the U. P. A. S. I. has, however, suggested the formation of "a co-operative buying society financed by the Governments concerned for the benefit of the small growers." Other big estate owners have also occasionally stressed the necessity for a purchasing organisation. The Rubber Growers' Association has often expressed sympathy for the small grower and pointed out the urgency for a marketing organisation. The real demand for marketing which emanates from the small producer in the interior rubber growing areas, has, however, not been fully felt as he is not adequately represented on the Board.

With a view to ascertain the latest views of the various parties in the industry, a circular was issued and personal discussions were had with as many as possible. The agency firms are divided in their views. While M/s. Aspinwall & Co., Ltd., is not in favour of any organisation except providing certain safeguards like long term protection for the plantation industry and credit facilities, M/s. Harrisons & Crosfield, Ltd., prefer a small marketing organisation to look after the small producers only, and M/s. Peirce, Leslie & Co. Ltd., suggest an agency like the Coffee Pool for the stabilisation of prices. M/s. A. V. Thomas & Co., Ltd., and M/s. A. V. George & Co., Ltd. are in favour of a marketing organisation. The smaller producers have, without exception, suggested a system of marketing like the one which existed during the war years to relieve their present marketing difficulties. The dealers are also in favour of an organisation as they feel they could certainly work for a very small margin of profit provided the turnover is quick and definite. In view of the different views expressed on the subject, a few alternative suggestions are given for consideration and necessary action.

Suggestions have been given regarding the possibilities of establishing a regulated market for rubber as is now contemplated for arecanut. I have considered the suitability of rubber for such a system of marketing under the present conditions but feel that it would not be practicable. The production and marketing of rubber are already governed by the Rubber (Production & Marketing) Act, 1947, which *inter alia* provides for the licensing of planting and trading in rubber, regulation of exports and imports and fixing the maximum and minimum prices. The establishment of a regulated market for rubber has to be done under the Commercial Crops Market's Act of the different Provinces. A Market Committee set up under the Act will have power to regulate trade and arrange for the sale of the produce, by public auctions in a central place known as the Market Yard. The Indian Rubber Board operating under the Rubber (Production and Marketing) Act, 1947, has much wider powers than the Market Committee and in fact controls production as well as marketing. Since the most important function of a Market Committee is arranging for auctions in a common yard for the realisation of better prices, its suitability for rubber is to that extent lessened due to the operation of controlled prices for the commodity. Market committees also exercise effective control over weights and measures used and the various charges to be paid by the seller and buyer. In rubber trade there is no necessity for control in this direction as weighment is invariably done on an Avery's Platform balance and irregular charges like charity, etc., are not imposed on the seller. The petty merchants who visit holdings may use spring balances for weighment but even here some of the producers are reported to have their own method of checking the weighment. Considering the few advantages it has, I feel that its introduction will cause considerable dislocation to the trade without conferring adequate benefits. Further, it would be very difficult to introduce a regulated market side by side with the Indian Rubber Board without clash of interests.

Formation of co-operative societies has also been suggested for the marketing of rubber, particularly for the small holder's produce. After a thorough study of the conditions of rubber marketing it is felt that a purely co-operative organisation will not be in a position to withstand the vagaries of the market without adequate financial help. Attempts to sell on co-operative lines cannot be said to be wholly successful in any part of the world (barring exceptions) because they are rarely able to enforce their bargains due to lack of effective control over supply which is the backbone for the maintenance of a fixed price system. The temptation among members (producers) to sell quickly in their hour of financial need cannot be effectively eliminated and it is, therefore, impossible to regulate supplies in conformity with the quantities the buyers would be prepared to take at prices fixed. As such I feel that a co-operative organisation for marketing the entire rubber of the small holders is not a practical proposition. On the other hand co-operative production and sale societies which are backed up by a separate purchase organisation have a good chance of succeeding in case the producers' needs are regularly met. Such societies if worked well have many advantages to the producers and can be really helpful. The whole question is discussed again in the proper place and suggestions given for their organisation.

I. Enforcement of the Act without any marketing organisation.

Many people feel that without recourse to a marketing organisation, the present difficulties could be got over merely by alterations or additions to the procedural details of the working of the Rubber (Production & Marketing) Act, 1947, which is already vested with the necessary powers. At present there is control of prices based on the cost of production plus profit. It is presumed that in the interests of the stability of the industry this price control is a part of the long term policy of the Government as already indicated before. This is deemed as absolutely necessary by the planting industry as a whole as otherwise they consider that improvement of the industry by replanting, spraying, etc., is only a brave man's job in an enterprise where results can be expected only after a long period of waiting. Along with this security for the industry, the following suggestions are given to get over the existing difficulties:—

(1) *Fixing prices for rubber in different districts*: At present the price control provides only for F. O. B. Cochin prices and purchases in other centres should bear a reasonable relation to the Cochin prices. In actual working this offers plenty of scope for manipulation of prices and it is also considered unsatisfactory from the point of view of enforcibility. On a Board's resolution for fixation of prices for markets like Kottayam, etc., the legal advisers of the Board have expressed that the only way of providing an enforcible scheme of price control is by providing different prices for different areas. According to this the whole rubber area of the country can be divided into several administrative districts and a set of prices fixed for each district with sufficient margin between the maximum and minimum prices to provide for minor adjustments within each district. Hardships experienced in the realisation of controlled prices will be thus minimised and the growers will have a better chance of realising the fair price. To strengthen this, important dealers in each district should be made to submit to the Board periodically the prices paid by them. The Board should also maintain a small inspectorate staff for checking these prices and take suitable action on the defaulters. The mere fact that the dealers should send returns which are subject to checking will have a salutory effect on the enforcement of the prices.

(2) *Warehousing.* Warehousing is a very important adjunct to efficient marketing. During periods of large accumulation of stocks the producers and dealers are hard pressed for funds and resort to distress sales. The Special Committee appointed by the Board in November 1949 to devise ways and means of liquidating accumulated stocks of rubber recommended that the Government should be requested to give a directive to any Bank or Banks of consequence to advance at least up to 75% of the scheduled prices fixed by the Government on the security of produce offered. Such a thing could be facilitated by introducing the system of licensed warehouses. An Act similar to the contemplated Madras Warehouses Act, 1948, could be enacted in the United State of Travancore & Cochin, with suitable modifications whereby statutorily licensed warehouses could be established. A warehouse can receive rubber, grade and issue receipts for the quantity stored. The receipt issued by a warehouseman for the produce stored in his warehouse will be transferable by endorsement and will serve as a collateral security for any loan required by the agriculturist for the purpose of financing his seasonal operations. This would be of great help to the bigger producers and dealers in avoiding distress sales in times of of need.

(3) *Issue of purchase licences.*

(a) *Period of issue*:—At present purchase licences are issued for every half year ending June and December. It is felt that six months is a long duration for the licence especially in view of the fact that rubber production is fairly evenly distributed throughout the year. Though there are months of lean production these are preceded by periods of heavy stocks which would enable the adjustment of distribution with ease. Under such conditions it would be better if purchase licences are made quarterly so that the manufacturers could clear the stocks more regularly. Even under the half yearly licensing system the manufacturers no doubt try their best to distribute their purchases evenly during the whole period but sometimes due to convenience or other reasons best known to them, it is reported, that they make proportionately more purchases in some groups as compared to others. A half-yearly licence gives scope for such a policy to be continued over a sufficiently long time to cause considerable hardship to the producers and dealers. A few manufacturers have expressed that they see no objection to quarterly licences provided they are issued promptly. This can be easily adjusted by prescribing suitable dates for receipt of applications and issue of licences. Along with the issue of quarterly licences, strict control should be exercised to see that purchases not made in a particular quarter are not carried on into the succeeding quarters. To enforce this, manufacturers can be asked to strictly adhere to their forecasted requirements of each quarter unless extraordinary circumstances warrant a revision of the same. The idea is to see that purchases not made under a particular licence should be forfeited to that extent.

(b) *Licences to be issued according to groups*: The manufacturers have suggested that licences may be issued according to groups. There can be no objection to this particularly in view of the fact that availability of individual grades cannot be estimated with mathematical precision. The issue of licences according to groups is particularly desirable if the issue of quarterly licences suggested above is adopted. This will give the buyers ample freedom to purchase different grades within a group according to availability in a short time without again applying to the Board for reallocation.

(c) *Issue of supplementary licences*: The issue of supplementary licences should be done very carefully as it is likely that these licences may act adversely on the offtake of the stipulated quantities of individual grades in the original licence. Supplementary licences should be issued by the Board only if it is completely satisfied that the buyers have lifted or agree to lift all the gradewise quantities of rubber issued to them in the original licence. In the application for supplementary licence a declaration clause to that effect should be introduced.

(d) *Publicity*: The major buyers should furnish to the Board by the end of each month the quantities for which licences are issued, their groupwise purchases during that month and the anticipated purchases during the next month. The Board can arrange to publish these figures along with other useful information like prices, stocks, etc., in a small monthly bulletin. This bulletin can be sold at a nominal cost and most of the dealers will be only too anxious to purchase them. Wide publicity of such information is absolutely necessary to create a healthy atmosphere in the trade, particularly when control of prices etc. is in operation.

(4) *Control of Imports and Exports.*

(a) *Imports*: A scrutiny of the import figures for the last two years given on page four, shows that the period of imports coincides to some extent with the period of high production also. This naturally causes hardship to the production industry but it cannot be helped under the existing system of allowing imports into this country. Licences for import of rubber are now issued by the Import Trade Controller in consultation with the Board. Imports are granted under two categories, viz.,

(i) Import on D. R. C. basis of exported articles;

(ii) Import to meet the overall shortage of rubber.

Imports under the D. R. C. scheme are meant to encourage export trade of manufactured articles by obtaining cheaper rubber from outside. The Indian rubber manufacturing industry has expanded considerably and in addition to meeting most of the domestic requirements it has built up a substantial export trade with countries like Ceylon, Finland, Egypt, Straits Settlements, Pakistan, etc. The progress of exports during the last ten years is given below:—

Value of Imports and Exports of manufactured rubber goods from India (Rupees)

Year	*Imports*	*Exports*	*Year*	*Imports*	*Exports*
1939/40	1,48,42,454	9,53,085	1944/45	14,45,982	62,44,209
1940/41	1,56,00,480	41,13,535	1945/46	8,72,432	49,92,909
1941/42	1,55,31,324	47,25,762	1946/47	26,65,020	2,75,26,032
1942/43	18,52,266	30,86,908	1947/48	45,00,417	2,22,14,819
1943/44	5,56,303	34,80,429	1948/49	25,00,166	1,60,39,876

The industry's steady progress is evident from the above figures. Before the World War II India was importing rubber goods to the extent of $1\frac{1}{2}$ crores. The Indian rubber industry has, in addition to meeting all this shortage, developed an export trade which reached the peak figure of nearly $2\frac{3}{4}$ crores during 1946—47. The exports have, however, shown a downward trend during the last two years. In view of the position of the rubber industry as a valuable participant in the export trade of India and for encouraging the same as a long range policy it has been decided that licences should be given every half-year on the D. R. C. basis of exports of manufactured goods during the previous half-year but one. Since the manufacturers cater for a competitive export market it is also thought not expedient to restrict their liberty in importing these quantities from the best market and at the best prices. In view of the free hand given for imports under this scheme, the manufacturers should, as always promised, endeavour to see that these imports, permitted for a special purpose, should not in any way interfere with their regular offtake of indigenous rubber.

Imports under the plea of overall shortage should, however, be controlled strictly to see that it does not upset the balance of trade. Though applications for import under this plea are now made at a time when there is a shortage of rubber, such conditions often disappear when the actual licence is obtained. Further, as the licences are valid for a period of six months from the date of issue, the licence can be used as a very effective weapon to depress the market. The producers in fact complain that the imports are so timed as to upset the domestic prices of rubber. Under the present system, it is not possible to avoid this unless the manufacturers refrain from importing in case local supplies do not warrant the same. The hardships arising from the same can be minimised by reducing the time limit for the licence to say three months after consultation with the manufacturers. Alternatively arrangements may be made to permit imports only during the scarcity months. Rubber production is so regular that the period of scarcity does not vary from year to year. Based on this, the manufacturers can apply for import licences well in advance before a fixed date so that imports permitted could be actually availed of during the months of scarcity, say from July to September. Further, import licences are now granted on the basis of c. i. f. value only and this gives scope to the manufacturers to import larger quantities of cheaper rubber without exceeding the c. i f. value. For a proper control of the quantity of rubber imported it would be very helpful if the licence made mention of the quantity as well as value and introduced a clause " whichever is less."

(b) *Exports.* In a country which has adopted a closed economy based upon a demand which is normally greater than the supply there should be no room for exports unless under extraordinary circumstances. Exports should not be allowed whenever there is temporary accumulation unless it is felt absolutely certain that such exports would not affect the supply position later on. When such exports are allowed it should be under the express understanding that imports under the plea of overall shortage will not be permitted at a later stage.

II. Scheme for Marketing of entire Rubber Crop.

It has already been pointed out that a system of price control will not work efficiently unless there is a proper distribution agency to handle the commodity. Working of such controls has generally revealed that it is almost impossible to eradicate the evils that creep in, in spite of various strict regulations that may be enforced from time to time. Such regulations generally tend to increase the difficulties of administration without completely removing the defects. The difficulties in rubber marketing have made their appearance from the time of the abolition of the Government Purchase Depot at Cochin though due to various other reasons they have become magnified now. These difficulties can be overcome only by providing an organisation where rubber will be purchased at controlled prices. Such an organisation to be successful should be able to command the entire crop of the place as otherwise it will be very difficult to control supplies for making the scheme effective. Control of supply and equating it to demand to avoid price fluctuation and induce regular offtake is the main idea of the scheme. As such it is suggested that a system of marketing on the lines of the one operating for Coffee should be instituted as early as possible with necessary modifications to suit the conditions of the industry. The scheme is prepared having in view the various agencies functioning in the trade and taking care to see that they are fitted in, so that the main object, i. e., finding a regular sale at controlled rates, without any dislocation or hardship, is achieved. The broad details of the organisation are given below :—

Common Rubber Pool. A common rubber pool has to be created by the Indian Rubber Board on the analogy of the Coffee Pool to receive all the rubber produced in the country, stock and market the same. The delivery of the rubber should be made to the Board in such places and in such manner as the Board may direct. It will be very difficult for the Board to handle the total production of rubber in one place. As such, for administrative convenience, the Board can appoint a few Pool Agents, and have also one Central Depot.

(a) *Pool Agents.* The Board can appoint as many agents as necessary for the efficient handling of the produce. The general principle is that Pool Agents should be reliable and established firms which have been long in the trade. In rubber trade the Managing Agency firms receive rubber from their own estates in graded and packed condition and arrange for the storing and marketing of the same under ideal conditions. The Agency firms already handle a large volume of the business as detailed hereunder.

Name.	*Average quantity of rubber sold each year (tons) (1948—49)*
M/s. Harrisons & Crosfield, Ltd.	2795
M/s. Aspinwall & Co., Ltd.	2013
M/s. Peirce, Leslie & Co., Ltd.	1483
M/s. Darragh, Smail & Co., Ltd.	1382
M/s. A. V. Thomas & Co., Ltd.	1012
M/s. A. V. George & Co., Ltd.	1746*
Total	10431

* Handles over 1000 tons as dealer.

All these agency houses have extensive and uptodate godown accommodation at Cochin and the Board can take advantage of their experience and facilities by appointing them as Pool Agents. These Pool Agents have to do the same work as they are now doing, i. e., receiving, storing and disposing, but only act as agents of the Board. The agency houses may not find the system unsuitable or strange as some of them like Messrs. Peirce, Leslie & Co., Ltd., Messrs. Aspinwall & Co., Ltd., are already acting as Pool Agents for coffee. These Pool Agents can in addition to the rubber they are now handling also receive the produce of any of the big estates who may be willing to send their rubber to them. The problem of fixing Pool Agents for rubber in one place is quite simple as most of the rubber has to pass through Cochin and no difficulty of any sort will be experienced by the grower or dealer under the scheme.

(b) *Board's Central Depot.* In addition to the Pool Agents, the Board will maintain a Central Depot at Cochin for the convenience of the producers and all the dealers who will not be in a position to deliver to the Pool Agents. In the marketing of coffee a large number of purchase depots have been gradually established but for rubber only one Central Depot is suggested for the time being. It may be argued that with only one depot at Cochin the small producer will not be in a position to sell directly to the depot and thus take advantage of the same. It is not feasible to open a very large number of depots in the early stages of the working of the scheme and even then it would be impossible to reach every grower. In coffee marketing in Travancore, in addition to these depots, it has been found necessary to employ Collecting Agents for collecting the produce of very small growers. Though they are paid 5% commission on the purchases the system is reported to be not completely satisfactory. It is almost impossible to eliminate these Collecting Agents unless a large net work of Producers' Co-operative Societies are organised for the purpose. If purchase depots are opened they must be managed by well paid and efficient hands as otherwise misgrading and other evils may creep in and ruin the organisation. Further, experience of the working of the Government Depot during wartime has shown that with the existence of a Central Depot the other items such as collecting all the small holders' produce, sorting, packing, transporting, etc. can be very safely left to the ordinary channels of trade to manage as efficiently and cheaply as possible. As long as there is a place where delivery of rubber will be taken at fixed rates and fair grading, a large element of competition is created among the various dealers, which naturally results in cutting down the margin of profits to the barest minimum. The dealers are willing to work for a small profit of 4 annas per 100 lbs. where there are prospects of quick turn over in preference to uncertain conditions where everybody tries to purchase at the lowest price possible. All the growers met affirm that during the existence of a depot at Cochin, they used to get the best price possible and that they would prefer such a system. It is better to adopt this system which is known to be advantageous to both growers and dealers at least in the early stages of the working of the scheme. After gaining experience of the working of this depot and when sufficient trained people are available, opening of fresh depots at centres like Kottayam, Kanjirapally, Punalur, Trivandrum etc., can be considered.

System of delivery at the Pool. All rubber delivered at the pool shall be graded and bundled according to the practice of the trade. Each bundle should indicate the grade, the estate or dealer's mark and the date of packing. The system of delivery of uppacked rubber is not recommended as all the agency houses at present are receiving in graded and packed form, grading and packing being done on the estate itself. The same system is recommended for delivery at the Central Depot of the Board also for uniformity and convenience. On receipt of packed rubber at the depot, the Chief Marketing Officer will arrange for the inspection of bundles with reference to grading and packing by adopting a suitable and efficient system. Grading can be checked by random examination of 10 to 15% of the bundles or in case of doubt as many bundles as necessary to ensure that strict but fair quality control is maintained. Packing should be according to standards prescribed by the Board. A receipt may be given indicating the gradewise quantities received. The minimum quantity to be tendered at a time at the depot can be fixed at 5 tons for a lot and 1 ton for each grade in the lot, as was practised during the period of the Government Purchase Scheme, so that the number of transactions are limited. To encourage individual planters and co-operative societies to make direct deliveries at the depot the minimum quantities to be tendered by them should be reduced to one ton for a lot and one bundle for each grade. All the dealers, growers and co-operative institutions who wish to make deliveries at the depot should register themselves with the Board accordingly and a separate sheet should be maintained for each one of them. Delivery at the Pool Agents' premises should also be in graded and packed bundles (as received now) and the minimum quantities can be 5 tons for a lot and 1 ton for a grade. All estates (estates only) who wish to deliver to Pool Agents should register themselves likewise with the Board.

Grading. The Chief Marketing Officer will be fully responsible for the grading at Central Depot. At the Pool Agents' premises checking of grading will be arranged by the Pool Agency and the Agency will be responsible for the quality control. The Chief Marketing Officer may inspect the Pool Agencies as and when necessary to ensure that receiving and storing of rubber is done properly but the Pool Agency will be fully responsible for the grading of the produce which passes through them. As grading is the most important item in marketing of rubber under controlled conditions, responsibility should be definitely fixed for the rubber received at the depot and at the Pool Agents' premises as indicated above so that efficiency is maintained without giving room for evasion.

Payment to growers. Immediately after the delivery of the rubber at the depot the grading should be checked and a receipt given. Arrangements should also be made to make part-payments to the grower. The actual percentage of the value of goods to be paid on delivery can be decided by the Board but it can be presumed that payment can be made up to 50% of the value of the quantity based on the lowest grade delivered. Further payments can be made in two equal monthly instalments immediatly after the rubber of the party has been sold. The agency houses can send each month estimates of quantities of rubber that are expected to be received by them during the next month. Based on these estimates the Board will issue cheques to the agency houses and the agency houses will make the first payment to growers as and when rubber is received. Subsequent payments can also be arranged likewise on the advice of the Board. As there is a controlled price for rubber, there is no necessity to spread out the payments to growers all over the year as is done for coffee. The Central Depot will make similar payments for the deliveries at the depot. The price that will be paid to the producer or dealer who delivers to the pool will be the Cochin depot price fixed by the Board after making suitable deductions from the F. O. B. price for the cost of working the entire marketing scheme. The deduction should be made with a slight margin on the safe side so that the working of the scheme does not show any loss at the end of the year. If, on the other hand, it results in any gain the amount can be either passed on to the seller as a dividend or consigned to the pool fund and utilised for working of the pool.

Distribution. The distribution of all the rubber should be through the Board and manufacturers should not be allowed to buy from outside. All the manufacturers should apply to the Board for quarterly licences as already detailed. The Board, after proper scrutiny, should issue purchase licences and also indicate the gradewise quantities that have to be purchased from each of the Pool Agents and the Central Depot basing its distribution on the actual stock position in each place and the expected arrivals. This has to be done with due consideration to the priority of arrivals so that stocks are cleared from each place regularly and in order of arrival. The Pool Agents should release stocks only when the buyer makes the payment to him and the sale proceeds should be immediately remitted into the Bank under the pool account. As the number of places from which manufacturers can purchase stocks is very limited, they should find the system very convenient to regulate their purchases.

Financing. The Board should maintain two separate funds, viz., a general fund and a pool fund. The general fund will receive all proceeds from cess, licensing etc., and meet the expenses of the Board for running the administration of the Board and promoting technological research etc., as is being done now. The sums realised by the sales of rubber can be credited to the pool fund. The pool fund should be utilised for payment to growers and meeting marketing expenses. The Board should be empowered to borrow funds from any recognised Bank or Banks on the security of the general fund or pool fund or the produce delivered to the pool. The Board can borrow from any of the authorised Banks which will be only too anxious to undertake the work. The Coffee Board is being financed in a similar way by overdraft accommodation on the security of pool coffee (up to 66⅔% of value of produce) with the Central Bank of India and the Bank of Mysore. When the Coffee Board started the work an initial advance of 10 lakhs was taken on an indemnity bond but subsequent advances have all been obtained only on the security of pool produce. This arrangement has been working very satisfactorily and the Board is at present empowered to borrow up to 1½ crores. The rate of interest charged has recently been increased to 3½ per cent from 3 per cent in the previous years. The coffee pool has a total sale of 6 crores for which it is able to manage with an overdraft accommodation of 1½ crores. The total sale proceeds in rubber will not exceed 3 crores. Unlike coffee where production is seasonal and stocking and sales have to be regulated all through the year, the production in rubber is fairly well distributed and does not necessitate holding large stocks. As such the marketing of rubber can be managed if the powers of borrowing are limited to even 50—60 lakhs (i. e. 50% of the value of stocks held at any time). The first instalment made to growers or dealers on delivery of rubber will be out of the advances taken from Banks while the next two payments can be made from the amount realised from their sale.

Insurance. All the rubber received in the Central Depot and Pool Agents' premises should be insured against fire, riots and civil commotion. The day to day adjustable system of insurance should be adopted. The Pool Agents shall arrange to have the stocks with them insured but at the cost of the Board.

Agency remuneration. The Pool Agents have to be paid remuneration for receiving, stocking and selling the rubber. In coffee marketing they are paid an agency commission of 1½% for the services rendered by them. These agency services are governed by the agency terms framed for the purpose. In coffee the agency terms include lot of responsible work in addition to providing gunnies, drawing samples and long storage. As many of these costly items of work are not contemplated in rubber, the agency remuneration can be considerably reduced. In addition to agency remuneration the Pool Agents in coffee are also paid a sales commission of 3/4%. In rubber marketing the agency and sales functions can both be covered by a 1% commission of the total value of the produce. Many private firms may be in a position to discharge the same functions even for a smaller commission than this and as such the agency firms should be in a position to do so particularly in view of the fact that they are mostly selling their own produce and getting other facilities from the Board. The commission can be revised later if necessary on the basis of the expenditure met in working the Central Depot of the Board. The Board can draw up agency terms on the model of the Coffee Board's terms. For other services like re-packing, providing new hessian etc., a schedule of charges not covered by agency commission can be prepared.

Imports & Exports. In any scheme of marketing control of supplies is absolutely essential and this can be achieved only by regulating exports and imports. The Indian rubber industry requires to import about 3,000 tons to 4,000 tons of rubber every year according to the figures of production and consumption available. As such it is imperative that imports should be permitted. The existing manner and regulation of imports into this country have already been detailed. When a marketing organisation is instituted, it would be far more expedient if the regulation of imports and exports could be left to that organisation. With a ready knowledge of the stock position and demand, the Board would be in an advantageous position to act quickly in the matter. The Indian Coffee Board is empowered to export or authorise exports of coffee. In a similar way it would be better if the Rubber Board is authorised to control both imports and exports. This can be done with the express provision that the imports under the D. R. C. scheme should be allowed in full and that the manufacturers' rights under this should not be fettered. The imports under the plea of over-all shortage can, however, be controlled very rigidly and permitted only under acute shortage.

Exports can be permitted to be controlled by the Board. Under a scheme of controlled distribution the offtake will be regular and there may not be generally any room for export of rubber. But in case the stocks exceed 4,000 tons at any time and if the Rubber Board is fully satisfied that exports are absolutely necessary in the interests of the planting industry, exports may be allowed to the extent desirable. To meet the loss or gain in export, a relief fund can be created by collecting 2 annas per 100 lbs. of rubber over the controlled price. This may be called Price Equalisation Fund.

Deterioration in storage.—Under the marketing scheme there should be no room for deterioration as the stocks are expected to be cleared regularly. Even if accumulation of stocks takes place it will be during the period December/March when generally dry weather prevails. Under such conditions there is very little or no deterioration even if storage is over a period of about 3 months. In spite of all care and measures taken to clear stocks regularly occasional instances of deterioration may, however, crop up and arrangements should be made to meet this contingency. The growers generally are of opinion that deterioration takes place even now and that they are meeting any losses that may arise out of stocking and re-grading or alternately resorting to underselling. Even in a marketing scheme they see no objection to meeting such contingencies, which may be less frequent due to anticipated regular clearance of stocks. Alternatively like coffee a uniform deduction of 2 annas per 100 lbs. may be made from the sale proceeds of all the rubber passing through the pool to meet any liability on this count.

Arbitration.—Provision should be made for an Arbitration Committee to decide over quality disputes between sellers and buyers. For this purpose, a panel of arbitrators should be drawn up by the Board from among whom a committee of five could be constituted as and when necessary. The committee should be representative of all interests and may be chosen as follows:—

One nominee of the Rubber Board,
One representative of manufacturer,
One representative of grower,
One representative of dealer,
One representative of agency firm.

The decision of the committee shall be final. Rules should be drawn up for the guidance of the arbitrators. To make arbitration a useful institution care should be taken to see that any committee appointed should be in a position to meet at short notice and decide disputes expeditiously.

Cost of working the scheme.—Estimate of the cost of working the scheme is prepared below, giving a rough idea of the expenses. The expenditure may be classified under several heads such as administration, storing, transport and marketing, agency commission, insurance and interest on overdraft.

(1) *Administration.* The expenditure under this head will include the pay and allowances of the marketing section of the Board. The Chief Marketing Officer will be in charge of the scheme. In addition to running the Central Depot he will be responsible for running the day to day administration of the rubber pool and also effect supervision and control over the Pool Agents. He will be fully responsible for the grading at the Central Depot which should be done under his personal directions. As such he should be an officer of high status and emoluments. He will be assisted by an Assistant Marketing Officer, one Depot Manager, one Assistant Depot Manager, two Tally Clerks, and other office and menial staff for running the depot as well as the Central Office. The details of expenditure are as follows :—

Estimated annual expenditure on administration

	Rs.	as.	p.
One Chief Marketing Officer on Rs. 1000/1500	12,000	0	0
One Asst. Marketing Officer on Rs. 300/600	3,600	0	0
One Depot Manager on Rs. 200/300	2,400	0	0
One Asst. Depot Manager on Rs. 100/250	1,200	0	0
Two tally clerks on Rs. 35/120	840	0	0
Two weighmen on Rs. 15/-	360	0	0
Four watchmen on Rs. 15/-	720	0	0
Sixteen coolies on Rs. 10/-	1,920	0	0
One Accountant on Rs. 200/300	2,400	0	0
One Superintendent on Rs. 200/300	2,400	0	0
Fifteen clerks (including 2 stenographers) Rs. 35/120	6,300	0	0
Eight peons on Rs. 15/-	1,440	0	0
Total	35,580	0	0
Dearness allowances	25,000	0	0
Furniture, stationery, &c.	10,000	0	0
Travelling & any other allowances	9,420	0	0
Grand Total	80,000	0	0

N. B. The expenditure is based on minimum salaries of the staff.

(2) *Storing, Transport & Marketing.*—Up-to-date godown accommodation has to be obtained for the depot in Cochin. It is reported that office and godown accommodation can be had from the Port Administrative Officer who is often in a position to rent out godowns under his charge. Every effort should be made to get buildings under his charge as they would be located in convenient places. The Central Depot which is expected to handle about 5,000 tons must have a godown accommodation of about 1,000 tons. It is estimated that under the present conditions office cum godown accommodation for this purpose can be had for Rs. 10,000 a year.

Other expenses consist of re-heaping of bales once a month, re-packing about 2 to 3 percent of bales, if necessary, loading of bales from godown to lighter and lighter charges. Re-heaping can be managed by the permanent labour in the depot to the extent possible. Whenever necessary casual labour can be employed to supplement the permanent labour in the depot. The prevailing charges at Cochin for loading from godown to lighter is Rs. 0/1/6 per bale or Rs. 0/15/0 per ton. With the lighter charges at Rs. 4/- per ton the total of these items comes roughly to Rs. 5/- per ton. This expenditure will amount to Rs. 75,000 for the entire pool stock of 15,000 tons.

(3) *Insurance.*—The entire rubber handled by the pool has to be insured against fire, riots and other disturbances at the cost of the Board. About 50 lakhs worth of stocks may be stocked every month in the entire pool and this has to be insured against. It is estimated that for covering this amount on a day to day adjustable basis the insurance charges might come to about Rs. 26,000/- for moderately good godowns.

(4) *Agency commission.* As the pool agents in rubber have only got to receive, check, stock and deliver the rubber against the directions of the Board, the agency commission may be fixed at 1% of the sale value of rubber passing through them. This can be revised from time to time with reference to the market conditions, value of produce etc. The agency commission may be estimated at two lakhs for about 10,000 tons passing through pool agents.

(5) *Interest on overdraft.* The Coffee Board operating on an overdraft accommodation of 1¾ crores incurs interest to the extent of Rs. 1,80,000 a year. The Rubber Board can manage with about 50 lakhs of rupees. With the sale proceeds coming in regularly, it is estimated that the interest on overdraft may not exceed Rs. 50,000.

The total expenditure on marketing may be as follows :—

1.	Administration	...	Rs. 80,000
2.	Storing, Transport etc :—		
	Rent on central godown and office :	10,000	
	Loading and transport :	75,000	
	Re-heaping at central godown and re-packing in all places	9,000	94,000
3.	Insurance	...	26,000
4.	Agency commission	...	200,000
5.	Interest on overdraft		50,000
		Total	Rs. 450,000

On the basis of the above charges the total expenses for marketing comes to Rs. 450,000 or about 1·33 cents per lb. of rubber marketed. In case it is also decided to collect a fund of Rs. 0/2/0 per 100 lbs. to meet loss on deterioration, the extra charge on marketing will be another 0·12 cents per lb. of rubber. This expenditure can be considered as very reasonable and moderate especially as it includes items like interest on overdraft, insurance and storage etc. and relieves the burden of the producers and dealers to a large extent.

Maintenance of accounts. Every pool agent should maintain accounts and send periodical returns in such form as may be required by the Board. The forms to be maintained can be prescribed after a thorough scrutiny of all the forms used by the Coffee Board and various agency firms, dealers and manufacturers. In a way rubber marketing should prove to be much easier than coffee marketing as items of work like processing and extensive distribution of the commodity are absent in rubber.

Cooperative Societies. A detailed account of the successful way in which cooperative societies can work under a marketing scheme is given separately. With a view to enable even small societies to grade, pack and deliver rubber at the Central Depot suggestion has been made to reduce the minimum quantities of rubber which will be received at the depot from societies of this nature can effect savings in marketing by eliminating middlemen in addition to improving the quality of the output.

The Rubber (Production and Marketing) Act, 1947, has to be suitably amended in consultation with the legal advisers of the Board to enable the Board to undertake the various items of work in marketing.

III. **Marketing scheme for small producers.** Any marketing organisation to be fully successful should control the whole industry and make the scheme ironclad. But in view of the diversity of opinion expressed by the various elements in the industry I am constrained to suggest an alternative scheme for the benefit of the small producers though convinced that it can not work as efficiently as a scheme covering the entire output of rubber. In case the agency firms do not want to come into an organisation it is felt that the smaller producer and other estate owners who are in real need of an organisation, should be sufficiently protected. It has often been expressed, that the small producer who is unable to produce economically has no place in the industry and the sooner he quits the better for the industry as a whole. It is very difficult to agree with this especially in view of the fact that he has found a place in every rubber producing country of the world as shown below :—

Rubber plantation acreages in Malayaian countries (1940)

Country	*Estates (acres)*	*Holdings (acres)*	*Total (acres)*	*Percentage of holdings to total.*
British Malaya	2,107,000	1,374,000	3,481,000	39·4
Netherlands Indies	1,567,000	3,200,000	4,767,000	67·1
Ceylon	359,000	280,000	639,000	43·8
Thailand	...	419,000	419,000	100·0
North Borneo & Sarawak	92,000	281,000	373,000	75·3
Fr. Indo-China	311,000	20,000	331,000	6·0
India	83,000	54,000	137,000	39·4
Burma	68,000	43,000	111,000	38·7

Source. World rubber and its Regulation — Knorr.

Almost every rubber producing country has an appreciable percentage under small holdings and in a major producing country like Netherlands Indies, it actually reaches 67.1 per cent of the total. Small holdings rubber cannot be eliminated as it is one of the cash crops which give occupation and money to the producer all through the year. It is also a hardy crop and can come up even on steep slopes. Further, it is only the small holder who reacts to fluctuations in prices very quickly and is likely to respond to the call for increased production in a crisis, if necessary, even by slaughter tapping, provided enough incentive is forthcoming. Thus the small holder has his own place in the industry and it is necessary to improve his lot by affording all the technical help and protection required. Contrary to Indian yields it is the small holder that is reported to obtain better yields (though due to close planting only) in Malaya. The Indian small holder now needs protection as well as real technical help to come up to the level of economic production and unless both are forthcoming he might before long disappear from the field.

The alternative organisation given below will be mostly for the benefit of the small growers but will also be open to others who wish to take advantage of the same. There shall be a central pool to which all the rubber shall be delivered. To reduce the volume handled the larger concerns like the Managing Agency firms (Harrisons & Crosfield, Ltd., Peirce, Leslie & Co., Ltd., Darragh, Smail & Co. Ltd., Aspinwall & Co. Ltd., A. V. Thomas & Co. Ltd., A. V. George & Co. Ltd.) and other big planters who can manage their own selling, may be given the option to sell direct to manufacturers. But if at any time administrative difficulties arise due to the option given, the Board may be empowered to make it incumbent on even such concerns to come into the scheme. The agency firms and other big planters who are able to manage their own selling are likely to keep away from the scheme. Such people should declare to the Board their intention to keep out at the beginning of each year. All the other producers (including a number of estates who do not wish to sell direct to manufacturers) should deliver their rubber to the Board's Central Depot either direct or through any dealer. The manufacturer should buy only from the Central Depot or from the people who have exercised their choice to remain outside. The agency houses and big estates will not undersell their rubber and when it is known that rubber will not be available at less than controlled prices anywhere the offtake of rubber is bound to become more regular.

For the same reasons as adduced earlier, only one Central Depot can be opened at Cochin and more depots opened later if experience and necessity warrant. The system of delivery at the depot, and control of grading will be as per the details given in the earlier scheme. As in that scheme provision may be made to receive smaller quantities of rubber, say 1 ton of each lot and 1 bundle of 224 lbs. in any grade, from producers and cooperative societies who wish to deliver direct to the depot.

Distribution. Manufacturers should buy from the depot or from any one of the concerns that have elected to keep out of the depot. They will apply for quarterly purchase licences, to the Board. The Board after thorough scrutiny will issue two separate licences, one of which will be for purchases from the Central Depot while the other will be for purchases from outside. The quantities and grades to be allotted under the licence for purchase from the depot should be decided on the basis of the quantities of different grades that are in stock and are expected to be received at the Central Depot during the quarter for which licence is issued. The other licence will cover the balance of the quantities for which the manufacturer has applied and will entitle him to purchase from any of the concerns that have chosen to remain out of the scheme. If for any reason it is found that purchases in the depot do not take place according to expectations the Board should ask the manufacturers to clear the depot stocks first before making purchases outside.

Financing of the scheme will also be on the same lines as already described. As the pool is likely to handle about 5,000 tons a year a total overdraft accommodation of not more than 20 lakhs will be sufficient to meet the needs. As soon as rubber is delivered at the depot, growers or dealers should be paid 50% of the value based on the lowest grade tendered. The remaining 50% can be paid in two equal instalments after the sale is effected. A small price stabilisation fund of Rs. 0/2/0 per 100 lbs. may be collected from sale proceeds to meet any losses that may occur due to deterioration. The Board will arrange for insuring all the rubber stocked in its godown. A panel of arbitrators can also be maintained from among whom a committee can be chosen as and when disputes arise between the manufacturers and the depot with reference to quality. The cost of working the scheme will be as follows :-

(a) *Administration.*

	Rs.	*as.*	*p.*
1 Marketing Officer, Rs. 600/900	7200	0	0
1 Asst. Marketing Officer, Rs. 300/600	3600	0	0
1 Depot Manager, Rs. 200/300	2400	0	0
1 Asst. Depot Manager, Rs. 100/200	1200	0	0
2 Tally Clerks, Rs. 35/120	840	0	0
2 Weighmen, Rs. 15/-	360	0	0
4 Watchmen, Rs. 15/-	720	0	0
16 Coolies at Rs. 10/-	1920	0	0
1 Office Head Clerk, Rs. 120/200	1440	0	0
5 Clerks and 1 Stenographer, Rs. 35/120	2520	0	0
6 Peons at Rs. 15/-	1080	0	0
Total	23,280	0	0
Dearness Allowance	18,240	0	0
Travelling & other Allowances	5,480	0	0
Furniture, Stationery etc.	8,000	0	0
Grand Total	55,000	0	0

N. B. The estimate is based on minimum salaries.

(b) *Storing, transporting and marketing.* Details have already been given in Scheme I.

Uptodate godown cum office accommodation	Rs. 10,000/-
Casual labour for re-heaping and expenses for re-packing about 2% of the bales	,, 4,000/-
Loading charges to lighter & transport to ship at Rs. 5 per ton on 5000 tons.	,, 25,000/-
Total	Rs. 39,000/-

(c) *Insurance.* The depot might be ordinarily having a stock of about 600 to 700 tons at a time and in heavy months about 1000 to 1200 tons. On an average the value of produce in stock may be about 16 to 18 lakhs. The day to day adjustable insurance on this stock might come to Rs. 9000/- per annum.

(d) *Interest on overdraft.* The Board may operate on a loan of about 20 lakhs. The interest on this amount may approximate to Rs. 17,000/- per year. On the basis of these calculations the total expenditure for the scheme is shown hereunder.

Total expenditure on the marketing.

	Rs.	*as.*	*p.*
(a) Administration	55,000	0	0
(b) Storing, transport & marketing	39,000	0	0
(c) Insurance	9,000	0	0
(d) Interest on overdraft	17,000	0	0
Total	1,20,000	0	0

The total expenditure amounts to Rs. 1,20,000/- for the marketing of small holders' rubber. This works out to nearly 1·07 cents per lb. of rubber. Even if a collection of Rs. 0/2/0 per 100 lbs. of rubber is contemplated to meet any deterioration in storing the cost of marketing inclusive of this fund will come to only about 1·2 cents on one lb. of rubber. Though the working of this scheme is cheaper than the one proposed for the entire rubber crop, it is suggested that the latter scheme must be given the first choice in view of its inflexibility. In the working of the scheme for small growers the regulation of supplies to the depot may prove to be a difficult task as the trade is likely to oscillate between the depot and the outside agencies depending on circumstances. It would need a separate supervising staff to check this in addition to the dislocation it would cause in the successful working.

Cooperative Societies. Special efforts should be made by the Board to organise cooperative societies when the marketing scheme is put into operation. The societies can function successfully where there is an organisation to relieve them regularly of their stocks and advance money on the same. All the advantages like cheapening cost of production, improving quality, proper storing and marketing can be fully availed of by such societies under proper environmental conditions. The details of the nature and organisation of these societies are given separately.

IV. Cooperative Marketing of Rubber.

Suggestions have been given at various meetings of the Indian Rubber Board and by other interested persons that producers should organise themselves and form cooperative societies for proper marketing of rubber. With this object in view, thorough investigations were made regarding the possibilities of organising cooperative marketing, through the kind assistance of the Registrar of Cooperative Societies, Trivandrum. In the light of investigations made, it is hazardous to suggest any large scale marketing of rubber on a cooperative basis. In most of the areas visited it is said that cooperation has not been uniformly successful in Travancore due to various reasons like lack of selfless workers or trained personnel to work the societies, insufficiency of funds to meet the needs of members, absence of tradition of cooperation as a way of life due to the scattered nature of the holdings, etc. Finance is the most important factor which decides the success or failure of any society. A cooperative society organised for rubber growers has to advance money to growers on the delivery of produce, stock and market the same before making final settlement. The members, therefore, have to be given advances freely to the extent of goods supplied so that they are not ordinarily forced to resort to alternative sources of credit. Further, in rubber trade the producers and dealers are periodically confronted with difficult situations wherein stocks accumulate over a period of 4 to 5 months (or even more) with little or no prospects of immediate relief. This situation is often made worse by deterioration in quality and any cooperative society, with the slender resources usually at its command, is certain to break down if it is left by itself to face the vagaries of the market with such a burden on its shoulders. Under these conditions cooperative socities will be unable to adjust themselves, like any private dealer to supply and demand and so have very little chance of success. Such being the case I feel that it is not safe to embark on large scale cooperative marketing through the establishment of a chain of primary societies, federations and unions of cooperative societies.

This does not mean that cooperation has no place at all among the small rubber growers. On the other hand I feel that given the proper conditions cooperation is the only thing that would help the small grower in getting over the defects in processing, smoking, grading and marketing of his rubber. The fundamental condition for success of such societies is the easy flow of funds and this can only be guaranteed if there is an effective marketing organisation which can receive the rubber periodically and make prompt payments to the society. The society should be in a position to sell its rubber every month so that the capital flows back to the enterprise regularly and enables it to function efficiently. In view of this, it is suggested that cooperative societies should only be started if and when the marketing organisation suggested before is put into practice.

Organisation of Societies for small holdings.

The first and the most important pre-requisite is the selection of a suitable area for starting a society. Any area selected should be compact and have a large number of small holdings in the vicinity. The aim of the society should be to collect latex from the holdings, process the same into sheets, grade and market the sheets. Latex coagulates ordinarily after three hours and as such the holdings should be as close to the organisation as possible so that delivery of latex is effected immediately after collection. A suitable area should be one where there are about 200 acres of rubber cultivation within a radius of one mile. In the rubber areas visited such concentrations exist around Palai and Ponkunnom and the first few societies could be profitably started in these places. Latex collected by the members can be delivered at the premises of the society in the morning, and the quantity delivered by each person together with the metrolac reading should be recorded by the rubber maker engaged by the society. The latex of all members can then be pooled and made into sheet rubber, adopting all the precautions necessary. The society should own a model smoke house and a store-cum-packing room. The sheets produced can be graded, packed and sold in the best market. Under such conditions good sheet rubber (which will mostly pass as Group 1) can be prepared and marketed to the best advantage. The members can be made an initial payment of up to 40 or 50% based on the metrolac reading and the final settlement can be effected after the sheet rubber is marketed. Many of the small holders are even now having the rolling and smoking operations done on hire and as such the extra cost of processing through the society will not be much. It will, however, be compensated many times more by the production of better quality sheets and collective marketing.

The requirements of the society are a model smoke house, a combined packing and store room, a coagulating shed, a set of rollers, balance, coagulating pans, etc. In a society which can handle about 40,000 lbs. of sheet rubber per year it is estimated that the initial equipment including buildings is likely to cost about Rs. 7,000. The society can obtain this as a loan from the Government or from other institutions. For daily working, the society can borrow money on the security of the share capital and for this purpose the share value may be fixed at such a level as would enable the society to get enough funds for its working. In Ponkunnom and Palai areas the small holders are keen on starting a society provided they are given some substantial help from the Rubber Board. I understand that the Indian Rubber Board has now got a scheme for erecting a model smoke house in small holdings for demonstration purposes. It will be a great incentive to start co-operative societies if the Board offered to erect such a smoke house free of cost on the premises of the newly started co-operative societies. The societies have to be registered by the Registrar of Co-operative Societies but they can be placed under the administrative control of the Indian Rubber Board so that they may benefit by the technical guidance of its officers.

The Report of the Commission on the Rubber Inquiry on Ceylon has recorded with appreciation the working of such societies in Ceylon and recommended the further expansion of the movement. I feel that most of the handicaps of the small growers can be overcome if such societies are worked satisfactorily. The following are some of the advantages claimed for them.

(1) Pooling of latex and making sheet rubber of superior and uniform quality as compared to the inferior grades ordinarily made by small growers.

(2) Proper storing of sheets in a clean dry storing place.

(3) Advantageous marketing by grading and sale on grades in the best market as compared to bulk sale of small holders.

(4) Regular payment of dues to the members.

(5) Collective and efficient procurement of the needs of holdings including rationed rice.

(6) Dissemination of uptodate knowledge on planting, tapping and other aspects of rubber culture.

Many of these advantages would be lost if the society merely collected and marketed the sheet rubber of producers instead of collecting as latex and processing the same. Their success is, however, linked up with the ease with which the produce can be disposed of and so it is again stressed that they should be started only as an adjunct to any marketing scheme. Co-operative movement can be said to be still in its infancy and as such new societies started have to be nursed carefully and brought up in the best traditions if they have to grow into virtuous manhood. To begin with, only one or two societies may be started in the most suitable areas and if they prove successful the movement can be extended gradually.

CHAPTER V
CONCLUSION

In the foregoing chapters an attempt has been made to analyse the difficulties that are now being experienced in the marketing of rubber and suggestions are given for improving the conditions. The present difficulties can be said to have cropped up after the abolition of the Government Purchase Depot at Cochin thereby showing that price regulation does not work satisfactorily unless it is backed up by a purchase organisation. After an examination of the different types of marketing organisations in practice, a system of marketing similar to the one in operation for coffee has been suggested as the most suitable one for rubber. In view of the diversity of opinion on the need for a marketing organisation, two schemes, one for the entire crop and another, a restricted one, mostly for the benefit of the small holder, have been suggested. Only the broad outlines of the organisations have been given so that details could be worked out in actual practice. It is needless to say that to be effective and successful, preference should be given to the first scheme which aims at controlling the entire supply and distribution. Improvement of small holders, marketing facilities through organisation of co-operative societies has also been suggested as an adjunct to the marketing organisation.

India is in a very advantageous position due to her great industrial potentialities, and possession of production and manufacturing industries in rubber working side by side. The production is, however, going down due to various reasons and unless the industry is well protected, it may gradually die out. India could ill-afford to lose this industry but this does not mean that protection should be continued for ever at the cost of the consumer and also to the detriment of the producer himself who is likely to get lulled into inefficiency. While protection is in operation the planting industry should take effective measures to improve its efficiency so as to bring down the price of rubber to a competitive level. This should be fully realised particularly in view of the rapid strides made by the synthetic industry in recent years. Though natural rubber still has some advantages over the general purpose synthetic rubber in regard to cost of production and some physical properties the real danger may come from the special purpose rubbers which though not possessing all the valuable properties of natural rubber are still admirably suited for certain uses, in view of their special properties. Productin of synthetic rubber is so advanced and competitive that it is able to find its own level as evidenced by the fact that every year the United States is using nearly two lakhs tons more than what is necessary under mandatory consumption. The present goal of research in synthetic rubber is to arrive at a product which is as good as natural rubber but cheaper than that. The demand for natural rubber is still good but its future prosperity is likely to depend to a large extent on how it will be able to fight the synthetic product both in price and quality.

Rubber is such a versatile and useful commodity that its changing values cannot be estimated with any degree of precision. The demand for rubber may become very great if in addition to the variety of existing and ever expanding uses the idea of rubberising roads becomes a practical proposition. As such any scheme drawn up for rubber cannot be of a permanent nature and may have to be revised to suit the changing circumstances. At present there is a steep upward trend in the prices of rubber but one cannot be too sure whether it will continue for long or is merely a passing phase, particularly in view of the fact that there is always the likelihood of synthetic rubber stepping in and stabilising the prices of natural rubber. In fact, as expected, the United States is reported to be already increasing the output of synthetic industry to meet the waning supplies and soaring prices of South East Asia's natural rubber, and it is estimated that her consumption of synthetic rubber would increase to 4,80,000 tons this year. In view of the lack of exports this should not in any way upset the Indian planting industry, but there is still an indication of the need for future planning of the rubber industry as a whole (both planting and manufacturing) to ensure harmony between the producers and manufacturers which is absolutely necessary for progress. While the planting industry should realise that it is in their own interests to keep a flourishing manufacturing industry close by, the manufacturers would also do well to remember that it pays to nourish the indigenous goose that lays the golden egg.

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Indian Rubber Board,
Kottayam,
South India,
8th June, 1950.

D. VISWANATHA REDDI,
M. A., B. SC., (EDIN.),
Marketing Officer.

APPENDIX

Average Monthly Prices paid for Rubber in Kottayam Market (1949).

(As furnished by important dealers)

Statement No. 1

	Top grades in sheet		*Lower grades in sheet*		*Crepe grades*	
January	Less Rs.	6/8	Less Rs.	6/-	Less Rs.	15/-
February	,,	5/-	,,	5/-	,,	15/-
March	,,	5/-	,,	5/-	,,	15/-
April	,,	5/-	,,	5/-	,,	16/8
May	,,	7/8	,,	7/8	,,	16/8
June	,,	8/-	,,	14/-	,,	16/8
July	,,	8/-	,,	11/-	,,	9/8
August	,,	7/-	,,	8/-	,,	9/8
September	,,	5/-	,,	5/-	,,	13/8
October	,,	4/8	,,	4/8	,,	13/8
November	,,	6/8	,,	6/8	,,	13/8
December	,,	8/-	,,	8/-	,,	13/8

Statement No. 2

Grades	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*Jun.*	*Jul.*	*Aug.*	*Sep.*	*Oct.*	*Nov.*	*Dec.*
RMA 1	81/8	82/8	82/-	83/-	83/8	84/-	85/-	85/-	85/-	85/-	84/8	85/-
RMA 2	80/-	81/-	80/8	82/-	81/8	82/-	84/-	83/-	83/-	82/-	83/-	79/-
RMA 3	78/8	79/8	79/-	80/-	80/8	82/-	82/-	79/-	82/-	78/-	79/-	77/-
RMA 4	74/-	75/8	76/-	77/-	77/8	79/-	78/8	79/-	78/-	77/-	78/-	74/-
RMA 5	70/-	72/-	71/8	72/8	73/-	75/-	75/-	74/-	74/-	73/-	74/8	74/-
G. 5	62/-	63/8	63/-	...	...	...	...	...	65/-	64/-	...	...
G. 6	52/-	53/-	54/-	54/-	...	...	...	55/-	...	...	55/-	54/-

Statement No. 3

January.	RMA 1 to 5 Rs. 83/8 downwards. Group 6 Rs. 62/- to Rs. 55/-. Group 7 Rs. 43/12/0.
February.	No sheet buying. Group 6 Rs. 55/- to Rs. 52/-.
March/April.	No buying.
May.	RMA 4 and 5 Rs. 67 and Rs. 63/-. Group 6 Rs. 47/-.
June.	RMA 1 to 5 Rs. 80 to Rs. 81/- downwards. Remilled 3 and 4 Rs. 50/- and Rs. 45.
July.	RMA 1 to 5 Rs. 81/- to Rs. 80 downwards. Group 6 Rs. 51/8.
August.	RMA 2 to 5 Rs. 80/- to Rs. 81/8 downwards.
September.	RMA 1 to 5 Rs. 84/- to Rs. 85/8 downwards.
October.	RMA 1 to 5 Rs. 85/8.
November.	RMA 2 and 3 Rs. 83/8 and Rs. 82/- to 79/8 and Rs. 78/-. Remilled 4 Rs. 46/-.
December.	RMA 1 to 5 Rs. 80/8 downwards. Remilled 3 and 4 Rs. 51/- and Rs. 46/-.

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